

Message Text

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ACTION EB-07

INFO OCT-01 IO-10 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 AF-06

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C O N F I D E N T I A L MTN GENEVA 5163

EO 11652: NA

TAGS: ETRD, GATT

SUBJECT: MTN: IMPROVEMENT IN THE GATT FRAMEWORK

1.DURING RECENT VISIT, WOLFF HAD A DETAILED DISCUSSION WITH GARDNER PATTERSON ON CURRENT SECRETARIAT THINKING ON "GATT" REFORM". HE ASKS THAT NOTING BE ATTRIBUTED TO HIMSELF OR THE SECRETARIAT AT THIS STAGE AS THEIR PAPER IS ONLY IN DRAFT AND THESE MATTERS HAVE NOT BEEN DISCUSSED WITH OTHER DELEGATIONS.

2. TIMING: PATTERSON FELT THAT THE GATT SHOULD NOT ENGAGE IN REFORM ISSUES UNTIL THE TNC GROUPS WERE MUCH FURTHER ADVANCED IN THEIR WORK. IT WOULD BE POSSIBLE TO JUDGE IN THE FALL WHETHER AN EFFORT ON IMPORVEMENT OF THE FRAMEWORK OF THE TRADING SYSTEM COULD BE LAUNCHED. THE FORM OF THE EFFORT, WHETHER IT WOULD BE WISE TO HAVE A SEPARATE TNC GROUP CREATED, HE WOULD LEAVE OPEN FOR THE TIME BEING.

3. THE ISSUES WHICH THE SECRETARIAT WILL PROBABLY ADDRESS IN ITS PAPER ARE AS FOLLOWS:

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(A) BALANCE OF PAYMENTS. A REVIEW OF ARTICLE XII. WHAT MEASURES SHOULD BE ALLOWABLE? HOW TO STRUCTURE COOPERATION WITH THE FUND. THE TYPE OF REVIEW MECHANISM OF MEASURES WHICH ARE IMPOSED. THE TYPE OF OVERSIGHT TO BE EXERCISED BY THE GATT OVER THE IMPOSITION OF TRADE MEASURES FOR BALANCE OF PAYMENTS REASONS.

(B) THE QUESTION OF ACCESS TO SUPPLY. WHETHER THIS SHOULD BE QPPROACHED PIECEMEAL IN SUCH GROUPS AS SECTORS, QR'S ETCN OR WHETHER A SEPARATE EXERCISE SHOULD BE STARTED IN THIS AREA.

(C) WHETHER GENERAL PROVISIONS ON COMMODITY AGREEMENTS SHOULD BE ADDED TO THE GATT KSEE HAVANA CHARTER).

(D) THE IMPROVEMENT OF CONSULTATION, DISPUTE SETTLEMENT, AND SURVEILLANCE MECHANISMS IN THE GATT.

(E) THE PLACE OF THE MFN ROLE, E.G., IN SAFEGUARDS ANDNTB CODES (CONDITIONAL MFN). THIS COULD BE REVIEWED AS A SINGLE ISSUE IN THE CONTEXT OF INDIVIDUAL AGREEMENTS. PATTERSON QUESTIONED THE VIABILITY OF EXISTING MFN RULE GIVEN THE MASS OF DEPARTURES THAT EXIST.

(F) LEVELS OF COMMITTEMENTS: 1) AMONG DEVELOPED COUNTRIES, 2) NORTH/SOUTH, AND 3) WITH STATE TRADING COUNTRIES.

G) RESTRICTIVE BUSINESS PRACTICES (SEE HAVANA CHARTER).

(H) THE ROLE OF THE SMALLEST COUNTRIES IN THE GATT.

4. ON THE ISSUE OF SECTION 121 (A)(1), THE CHANGE IN THE DECISION-MAKING PROCEDURES TO MORE NEARLY REFLECT THE BALANCE OF ECONOMIC INTERESTS, PATTERSON WAS DOUBTFUL THAT THE UNITED STATES WOULD FIND THE MEANS TO IMPROVE THE CONSENSUS OPERATION OF THE GATT. HE STATED THAT THE EC HAD 46 PERCENT OF WORLD TRADE (INCLUDING

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INTRA-EC TRADE), AND THAT THE U.S. ONLY HAD 16 PERCENT. HE FELD THAT IF THERE WERE ANY MOVEMENT TO EXPAND THE USE OF FORMAL VOTING, THAT THERE WOULD BE GREAT PRESSURES FOR ONE COUNTRY-ONE VOTE AND THAT THIS WOULD NOT BE TO OUR ADVANTAGE. HE SAID THAT THIS WOULD NOT BE AN ISSUE THAT THE SECRETARIAT WOULD RAISE.

5. OTHER TRADE ACT REFORM ISSUES WHICH THE SECRETARIAT

WOULD NOT BE RAISING INCLUDE BORDER TAX ADJUSTMENTS AND
FAIR LABOR STANDARDS.

6. PATTERSON STRONGLY SUGGESTED THAT FORMAL AMENDMENTS
TO THE GATT NOT BE ATTEMPTED BECAUSE OF THE EXTREME
DIFFICULTIES IN OBTAINING FORMAL VOTES FROM ALL MEMBERS
AND URGED THAT REFORM COME IN THE FORM OF DECISIONS,
DECLARATIONS, PROTOCOLS, ETC.

7. THESE VIEWS SHOULD NOT BE ASCRIBED TO GATT SECRETARIAT
AT THIS TIME. MCNAMARA

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